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CITY OF DINUBA

SINGLE AUDIT REPORT

JUNE 30, 2008

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November 25, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of
City Council of the City of Dinuba
Dinuba, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dinuba (City) as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dinuba's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dinuba's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

City of Dinuba
November 25, 2008
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dinuba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Dinuba in a separate letter dated November 25, 2008.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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November 25, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of
City Council of the City of Dinuba
Dinuba, California

Compliance

We have audited the compliance of the City of Dinuba (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

City of Dinuba
November 25, 2008
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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, we noted certain other matters that we reported to management of the City of Dinuba in a separate letter dated November 25, 2008.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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CITY OF DINUBA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Program Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through California Department of Housing and Community Development:			
HOME	14.239	03-HOME-0664	\$ 50,000
HOME	14.239	04-HOME-0719	334
HOME	14.239	06-HOME-2351	650,919
HOME	14.239	07-HOME-3077	769
Community Development Block Grant	14.228	04-PTAA-0310	5,695
Community Development Block Grant	14.228	04-STBG-1958	386,739
Community Development Block Grant	14.228	05-PTAA-1438	32,027
Community Development Block Grant	14.228	06-CALHOME-228	40,000
Community Development Block Grant	14.228	07-FREEZE RELIEF	<u>42,541</u>
Total U.S. Department of Housing and Urban Development			<u>1,209,024</u>
U.S. Department of Transportation:			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	CML-5143(01)	141,000
Highway Planning and Construction	20.205	CML-5143(00)	3,915
Capital Assistance Grants	20.509	FTA Section 5311	<u>167,160</u>
Total U.S. Department of Transportation			<u>312,075</u>
U.S. Department of Homeland Security:			
State Domestic Preparedness Equipment Support Program	97.004		<u>37,759</u>
Total U.S. Department of Homeland Security			<u>37,759</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,558,858</u>

CITY OF DINUBA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Dinuba (City), and (b) component units which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units of the City are the:

- Dinuba Community Redevelopment Agency
- Dinuba Financing Authority

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue, debt service, and capital projects funds of the City. The City utilizes the modified accrual method of accounting for the special revenue, debt service, and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the schedule.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. PROGRAM DESCRIPTIONS

U.S. Department of Housing and Urban Development

Home Investment Partnerships Program (HOME)

The objectives of the Home Investment Partnerships Program include: Expanding the supply of decent and affordable housing, particularly housing for low and very low-income Americans; strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies for decent, affordable housing; providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and extending and strengthening partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing.

CITY OF DINUBA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(continued)

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvements and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate income residents through low interest subsidies and deferred loans.

U.S. Department of Homeland Security – FFMA

State Domestic Preparedness Equipment Support Program

The objective of the State Domestic Preparedness Equipment Support Program is to enhance the capacity of the State and local first responders to respond to terrorism incidents involving chemical, biological, nuclear, radiological, incendiary, and explosive devices.

U.S. Department of Transportation

Highway Planning and Construction

The objective of the Highway Planning and Construction programs are to assist in the planning and development of integrated, interconnected transportation systems important to interstate commerce and travel by constructing and rehabilitating the National Highway System, including interstate highways and most other public roads.

Capital Assistance Grants

Section 5311 formula programs are to initiate, improve, or continue public transportation service in nonurbanized areas by providing financial assistance for operating and administrative expenses and for the acquisition, construction and improvement of facilities and equipment. In addition Section 5311 provides funding for support of rural intercity bus service.

CITY OF DINUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes _____ X _____ no

Significant deficiency(s) identified not considered
to be material weaknesses?

_____ yes _____ X _____ none reported

Noncompliance material to financial statements notes?

_____ yes _____ X _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes _____ X _____ no

Significant deficiency(s) identified not considered
to be material weakness(es)?

_____ yes _____ X _____ none reported

Type of auditors’ report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133 section 510 (a)?

_____ Yes _____ X _____ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.228

Community Development Block Grant

14.239

Home Grant

Dollar threshold used to distinguish between Type A
and Type B program

\$300,000

Auditee qualified as low-risk auditee?

_____ X _____ yes _____ no

CITY OF DINUBA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Part II - Financial Statement Finding Section

Significant deficiencies, Material Weaknesses and Instances of Noncompliance Related to the Financial Statements:

Part III - Federal Award Findings and Questioned Costs Section

Significant deficiencies and Instances of Noncompliance Related to the Audit of Major Federal Programs.

CITY OF DINUBA
STATUS OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>PRIOR YEAR FINDINGS</u>	<u>STATUS</u>
Finding 2007-1 Disbursement testing	All credit card payments were supported by proper documentation.
Condition: Credit card transaction (no proper back up documentation).	
Finding 2007-2 Business licenses and permit fees not submitted timely for deposit.	New procedures have been implemented and all fees are deposited daily.
Finding 2007-3 Business license receipts not in sequential order.	New receipt books were issued to all departments to improve control of receipts.
Finding 2007-4 A building permit had mathematical errors.	An isolated incident but management has tightened controls.
Finding 2007-5 Building permits applications did not have respective receipt number (from the receipt book) present on the application.	The City has implemented the procedure of making the building permit applications with the respective receipt numbers.